

News Release



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Knight Frank's operating profit soars 58%

London, UK – Knight Frank LLP, the leading independent global property consultancy, today announced its final results for the year ended 30 April 2006.

Highlights

- Group turnover increased by 26% to £214.9m (2005: £171.0m)
- Underlying group operating profit increased by 58% to £35.7m (2005: £22.6m)
- Strong balance sheet and cash management – cash from operations increased by 22% to £40.6m (2005: £33.2m)
- Income per fee earner up 8% to £154,000 (2005: £143,000)
- Average number of staff increased by 28% to 2,731 (2005: 2,138)
- Staff bonus pool increased by 48% to £31.7m (2005: £21.4m)
- Average gross profit per Proprietary Partner increased by 34% to £752,000 (2005: £563,000)¹

International

- Overseas turnover increased by 22% to £60.2m (2005: £49.2m)
- Strategic global partnership with New York-headquartered commercial real estate firm Newmark Knight Frank commenced
- European operations driving EMEA growth
- Operations in China and Hong Kong merged with the business formerly known as Chesterton Petty Ltd to initiate major expansion drive in China

Residential

- Record year in residential selling 350 London and Country houses at over £2m
- London and Country properties priced below £1.5 million accounted for 70% of sales
- UK office network expanded by seven to include: Bath; Cheltenham; Harrogate; Henley on Thames; Milton Keynes; Thames Gateway; and Wandsworth
- Affordable Housing department launched in response to the expanding residential development sector

Commercial

- Robust European expansion strategy underway; Investment markets throughout Europe continued to gain momentum and as a result provided a significant boost to income
- Central London and regional UK office network strengthened through the recruitment of key individuals for the Building Consultancy, Investment, and Planning service lines
- Rutley Capital Partners LLP, the real estate private equity business of Knight Frank, established; Central and Eastern Europe core-plus commercial property fund launched with a target leveraged IRR in excess of 12%
- C2G Property Solutions Limited acquired to cement the Company's Logistics & Industrial service offering

Nick Thomlinson, senior partner and chairman of the Knight Frank Group said:

"It is a great pleasure to present Knight Frank's results, following another year of record growth. We are making impressive progress towards our goal of becoming the world's premier independent global consultancy in both commercial and residential property. I am especially pleased that we are achieving success whilst retaining those qualities and values which set Knight Frank apart, energising our people and ensuring exceptional service for our clients. We look forward to continued growth into 2007."

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High-resolution images are available for the media to view and download free of charge from

www.vismedia.co.uk

Chairman's statement

A successful year in summary

Knight Frank LLP continues to enjoy unprecedented levels of growth. In the year ended 30 April 2006, group turnover increased by 26% to £214.9m (2005: £171.0m) and underlying group operating profit rose by 58% to £35.7m (2005: £22.6m).

Excellent financial performance and a strong balance sheet were matched by significant structural growth. Average staff numbers have risen by 28% to 2,731 (2005: 2,138), our UK office network continues to expand, and we have grown our capabilities in areas as diverse as affordable housing and global occupier services.

Our Residential Division experienced another record year, particularly at the top end of the market. New offices have opened in Bath, Cheltenham, Harrogate, Henley on Thames, Milton Keynes, Thames Gateway, and Wandsworth, and further network extension is planned.

Commercial Division highlights included the launch of an aggressive European expansion programme, the establishment of an investment management business focusing on real estate assets, and increased activity in the retail, industrial and logistics, hotel, and healthcare sectors.

Further afield, our strategic global partnership with New York-headquartered commercial real estate firm Newmark Knight Frank is now operational, enabling us to offer multinational clients uniform property services across the world and to target emerging markets in South America. The extensive coverage and capabilities of the partnership were evidenced by our 3rd place ranking in Commercial Property News' "Most Powerful Brokerage Firms" list for 2006. Also, following the merger of our Hong Kong and China operations with Chesterton Petty, we are well positioned to take advantage of the burgeoning Chinese market.

Residential property: another record year

Demand for top quality residential property is extremely strong, with a London-led recovery spreading across the southern half of the UK. For the second year in succession, Knight Frank has enjoyed a record 12 months, selling 350 London and Country houses in excess of £2m.

It has also been a successful year in the sub-prime market with 70% of our sales being properties priced under £1.5 million. Demand in many prime central London and Home Counties areas currently exceeds supply. The London lettings market has returned to health with an upturn in rental levels.

Knight Frank continues to be deeply involved in residential development and urban regeneration. A new Affordable Housing Department has been launched in response to the growing importance of this specialist sector, while at the premium end of the market, our Birmingham team achieved the sale of every apartment in the city's landmark Rotunda redevelopment within three hours of its launch.

The continued expansion of our UK office network has been complemented by major enhancements to our property website, now visited by more than 10,000 people a day and acclaimed as Britain's most advanced on-line property source.

The website is a key element of our capability to market residential property globally, and supports our on-the-ground presence in 33 countries. This year, for example, Knight Frank's European office network has been further strengthened by the opening of the Portugal (Western Algarve) office.

Residential 2007 outlook

Prices in the UK residential market are likely to end 2006 8% higher on an annualised basis. The central London boom has seen prices climb 25% for the best properties, and this is expected to continue into 2007, albeit with a lower rate of growth. We are forecasting an increase of 6% for the UK in 2007, with the prime London market leading at an increase of 12%. Meanwhile, the global forecast is for a continuation of the current price growth slowdown observed in many locations, notably in parts of the USA.

Commercial property: new strategies bring strong growth

A robust strategy for expansion in UK and Europe is in place. This has already resulted in the opening of the Kiev office, joining our established offices in Belgium, the Czech Republic, France, Germany, Poland, Russia and Spain and our associations in Italy, the Netherlands and Portugal. A new association in Ireland and a strong Scandinavian presence are planned.

The strategy reflects our belief that volume growth will come from continental Europe, and that this momentum will also drive expansion in the Middle East and Asia. At the same time, we are structured to take full advantage of opportunities in the UK, particularly those arising from inner-city regeneration. Many urban renewal projects are mixed-use schemes, where our expertise in both commercial and residential property consultancy, transaction and management gives us a crucial edge.

With our strong UK network of commercial consultancy teams based at offices from Aberdeen to London, our ongoing recruitment of leading sector specialists and our proven record of teamwork and efficient communications, we continued, without complacency, to have the confidence of major developers, occupiers and investors. This remains our key focus. Further we maintained our drive to grow the consultancy income which contributed approximately 40% to the UK's commercial turnover.

Recognition comes in a variety of ways. Our National Offices team, operating in the M25 and South East office market, has not only won Property Week's Office Agency Team of the Year Award but has also secured an instruction from the London Development Agency to procure the accommodation to relocate around 35 businesses in preparation for the 2012 Olympics.

Property investment services represents another substantial growth area for Knight Frank, with experienced industry specialists joining us to bolster our strength in investment management and consultancy. This year Rutley Capital Partners, our new real estate private equity business, was established and launched its first fund, Rutley European Property Limited, to capitalise on European commercial real estate assets. Subsequently the fund has successfully listed on the London Stock Exchange's Main List.

Commercial 2007 outlook

The recovery in office rentals which began this year in the Central London market is now being seen in other parts of the South East and in cities across the UK. This rental growth is expected to underpin performance in 2007, as the retail market shows signs of weakening and industrial property growth remains steady but unspectacular.

In continental Europe, improving economic conditions are leading to stronger occupier demand. However, further downward pressure on yields is anticipated as property is targeted by increasing levels of capital, particularly within the emerging markets of Central and Eastern Europe.

Office market rental growth in the Asia-Pacific region is generally positive, and there is rising occupier demand across the three principal commercial sectors in Hong Kong, Singapore and Australasia. Investment from outside is gathering pace, with increasing acquisition activity in both China and India.

The USA is also seeing firmer occupier demand and higher rental values across all commercial property sectors. Although interest rates have risen, they are still relatively low and investment activity remains strong.

International operations: new partners, new opportunities

Overseas turnover for the past year increased by 22% to £60.2m (2005: £49.2m).

Our new strategic global partnership with prominent New York-headquartered commercial real estate firm Newmark Knight Frank came into effect in January 2006. Through complementary strengths and geographical coverage, extensive commonality of culture and a willingness to share skills and information, the partnership offers multinational occupiers a complete, seamless, uniform, one-stop property service on a worldwide basis.

In addition, Newmark Knight Frank is opening doors to the growing markets of South America, with offices in Brazil, Argentina and Chile and plans to expand further throughout the continent in the upcoming year.

Looking now at Asia, our four Indian offices – now in their second decade – are experiencing record levels of business in response to the upsurge in the Indian economy.

Moving further east, the merger of Chesterton Petty Ltd with Knight Frank's Hong Kong and China operations has given us a far stronger presence in the Chinese market. Operating in Hong Kong, Beijing, Shanghai, and Guangzhou, this market holds immense potential, and we have the local presence and global resources to identify emerging opportunities and take full advantage.

In Russia, Knight Frank is reaching fresh heights in more ways than one. Not only has our Moscow team now grown to over 240 but we have also signed an exclusive agreement with MIRAX Group to provide consulting services for its prime buildings in Russia – including Moscow's proposed 354m high, 423,000 sq m Federation Tower, which will be the world's fifth tallest structure.

Sustaining our growth, retaining our values

The bonus pool for staff (excluding Proprietary Partners) increased by 48% to £31.7m (2005: £21.4m). Income per fee earner was up 8% to £154,000 (2005: £143,000). The highest paid Proprietary Partner earned £1.2m (2005: £0.9m) and the average gross profit per Proprietary Partner increased by 34% to £752,000 (2005: £563,000).

Knight Frank has continued to grow, but not out of all recognition. Characterising our rapid, sustained and multi-faceted expansion is a determination to retain the values which have served us well for over a century. For our staff and clients alike, our commitment to quality is - and will remain - reassuringly unchanged.

In pursuing our goal to be the world's premier independent global property consultancy, we are careful not to jeopardise our reputation for very high levels of service, for attention to detail, and for combining efficiency and innovation with time-honoured courtesy and a long-term view. It is a "traditionally modern" way of doing business that has allowed Knight Frank to sell the same properties on many different occasions, to handle numerous house sales for families through successive generations, and to attract the calibre of commercial clients that we value and to see three-quarters of all our clients return.

Equally, we are mindful of the importance of teamwork, of good internal communications, and of maintaining a congenial working atmosphere in which all members of staff are motivated to deliver a first rate service to clients and colleagues alike.

Part of this is awareness of the need to contribute to the community, and to protect the environment – built and rural - which is at the heart of our business. The past year has seen us support many good causes, both corporately through direct donations and sponsorships and individually via the Give As You Earn scheme. There were some splendid one-off initiatives – notably the solo cross-Channel swim by the Head of our Wandsworth office, which raised more than £9,600 for two charities. Also, we are showing the way environmentally through our pioneering trial of the world's first carbon neutral passenger car, the 'smart ev', ten of which have been leased for use by Central London Residential staff.

In conclusion, I pay sincere tribute to all our people around the world, who contribute their energy and enthusiasm so generously, both in and out of working hours, and who play such a pivotal part in Knight Frank's success.

As we continue to strengthen our operations in the UK and in markets across the globe, we can look forward to another year of sustained growth for the group.

Nick Thomlinson
Senior partner and chairman of the Knight Frank Group

Knight Frank LLP Consolidated Profit and Loss Account

Year ended 30 April 2006

	2006	2005
	£M	£M (restated)
Turnover	214.9	171.0
Operating profit (Note 3)	41.0	22.6
Share of operating profits of associated undertakings	0.8	0.8
Income from fixed asset investments (Note 4)	5.4	0.3
Profit before interest and taxation	47.2	23.7
Interest receivable and similar income	1.1	0.3
Interest payable and similar charges	(0.3)	(0.3)
Other financial expense	(0.1)	(0.1)
Profit on ordinary activities before taxation	47.9	23.6
Tax on profit on ordinary activities	(4.1)	(1.1)
Profit on ordinary activities after taxation	43.8	22.5
Minority interest	(0.8)	(0.1)
Profit for the financial year	43.0	22.4

Notes to Editors:

Knight Frank LLP is the leading independent global property consultancy with over 165 offices in more than 33 countries around the world. For further information about the Company, please visit www.knightfrank.com

1. Proprietary Partners: For the year ended 30 April 2006, Knight Frank had 32 Proprietary Partners
2. The comparative results have been restated to reflect the full adoption of FRS17 - Retirement Benefits
3. As required by FRS17, operating profit includes a non-cash accounting gain of £5.3m arising from the closure of the Firm's defined benefit pension fund
4. Income from fixed asset investments includes profits of £5.2m arising from the sale of the Firm's interests in primelocation.com and Investment Property Databank